

CITY OF WASHOUGAL  
Clark County, Washington  
January 1, 1994 Through December 31, 1995

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Schedule Of Findings

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1. Public Funds Were Misappropriated And Public Documents Were Falsified By The City Of Washougal Clerk/Treasurer

Our audit of the financial records of the City of Washougal revealed that at least \$977.85 in public funds were misappropriated by the clerk/treasurer, during the period March 3, 1994, to January 18, 1996. During our audit of travel reimbursements at the City of Washougal, we found the clerk/treasurer initially charged expenses on the city's VISA credit card. Subsequently, she filed claims with the Washington Municipal Treasurers Association (WMTA) and was reimbursed personally for these same expenses. Further, she claimed and received reimbursement for mileage from WMTA for a February 8, 1995, trip and, after reimbursement, submitted a false claim to the city for the same trip on February 28, 1995, for which she was also paid. A review of the accounting records found the city had not been reimbursed for these double payments. There were no federal funds involved in this case. The schedule below summarizes the city's losses by purpose of the trip and amount:

MAR 3, 1994	WMTA Board Meeting in Seattle (Air Fare/Car Rental)	\$ 87.02
FEB 8, 1995	WMTA Board Meeting in SeaTac (Mileage)	101.10
OCT 29, 1995	WMTA Conference in So. Carolina (Car Rental)	310.74
OCT 29, 1995	WMTA Conference in So. Carolina (Air Fare)	396.00
JAN 18, 1996	WMTA Board Meeting in SeaTac (Hotel)	<u>82.99</u>
Total		<u>\$977.85</u>

During an interview on December 20, 1996, the clerk/treasurer admitted she had been paid twice for the same expenses. She subsequently made restitution to the city for the full amount of these irregular transactions. RCW 42.20.060 states:

**Falsely auditing and paying claims.** Every public officer, or person holding or discharging the duties of any public office or place of trust under the state or in any county, town or city, a part of whose duty it is to audit, allow or pay, or take part in auditing, allowing or paying, claims or demands upon the state or such county, town or city, who shall knowingly audit, allow or pay, or, directly or indirectly consent to or in any way connive at the auditing, allowance or payment of any claim or demand against the state or such county, town or city, which is false or fraudulent or contains any charge, item or claim which is false or fraudulent, shall be guilty of a gross misdemeanor.

This misappropriation of public funds occurred because of weaknesses in the voucher system which permitted the clerk/treasurer to process claims without an adequate review by another city official.

We recommend the Washington State Office of the Attorney General and the Clark County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.

Bond coverage for city employees is as follows:

Company:	Hartford Fire Insurance Company
Type Policy:	Public Employee Dishonesty
Policy No.:	PEB JI2863
Amount:	\$250,000
Period of Coverage:	March 1, 1993, until cancelled

We also recommend the city:

- a. Review its voucher system controls, correct the weaknesses outlined above, and implement an effective system of internal controls designed to ensure the protection of city assets.
- b. Notify its insurance bonding company of this loss.

*Auditee's Response*

*The \$977.85 in question has been fully reimbursed to the City. Internal controls have been instituted which require review by the Mayor before submission by department heads for expenses for payment to the City Council. Items to be reimbursed by another agency are to be identified prior to submission of the voucher.*

*The City is in full concurrence that this matter should be reviewed by the Clark County Prosecuting Attorney's Office. The City will cooperate fully in that review.*

2. The City Should Strengthen Controls Over Budget Preparation And Expenditures

During our review of the city's budgeting process and related expenditures, we noted internal control weaknesses and noncompliance with state laws and regulations as follows:

- a. **Budget Ordinances** ) We found that the budget ordinances are not prepared in a form which makes it readily understandable what the council intended to spend during the budget year. It appears that amounts identified on the ordinance as expenditures may have included estimated ending fund balance.
- b. **Presentation in Control System** ) For 1995, the budget figures in the budget control system (expenditure ledgers) do not agree with the approved budget adopted by the council for six of the 41 funds.
- c. **Presentation in Financial Statements** ) In both 1994 and 1995, budget appropriations on financial statements for governmental funds do not agree with approved budget appropriations in Budget Ordinances as follows:

1994 - 18 out of 33 funds reported incorrectly  
1995 - 20 out of 34 funds reported incorrectly

- d. **Budget Over Expenditures** ) Eight funds were apparently overspent according to the city's financial statements during 1994 and one fund was overspent in 1995. However, we could not verify the accuracy of budget figures on these statements due to problems with the budget document (item a.) discussed earlier. Funds overspent, per the financial statements, are listed below:

<u>Year</u>	<u>Fund Number ) Fund Name</u>	<u>Amount Over Spent</u>
1994	No. 101-Street Fund	\$7,794
	No. 102-Arterial Street Fund	7,005
	No. 105-Cumulative Park Fund	214
	No. 114-Social Service Center	1,168
	No. 120-ACC Fire Equipment	6,526
	No. 124-Computer Equipment Fund	3,508
	No. 206-1990 GO Bond Fund	154
	No. 604-Cemetery Perpetual Fund	45
1995	No. 206-1990 GO Bond Fund	220

Expenditures in excess of budget are contrary to the limitations contained in RCW 35A.33.120, which states in part:

. . . The expenditures as classified and itemized in the final budget shall constitute the city's appropriations for the ensuing fiscal year. Unless otherwise ordered by a court of competent jurisdiction, and subject to further limitations imposed by ordinance of the code city, the expenditure of city funds or the incurring of current liabilities on behalf of the city shall be limited to the following:

- (1) The total amount appropriated for each fund in the budget for the current fiscal year . . . .

We recommend city officials enact budget ordinances which clearly reflect expenditure limits imposed on each of its funds. Additionally, we recommend city officials establish controls to ensure budget appropriations are properly accounted for in the budget control system and are properly presented in financial statements.

#### Auditee's Response

##### Controls over Budget Preparation and Expenditures

- a. *The Finance Director will insure that future budget ordinances will reflect the budgeted Ending Fund Balance separately from the Expenditures in order to insure full understanding by the City Council and Administration as to the approved expenditure budgets.*
- b. *The Finance Director will insure that the budget preparation process is followed through each year.*
- c. *Preparation of the financial statements will be verified to the budget ordinances as approved by City Council.*
- d. *The changes for the Accounts payable process and more frequent monitoring of expenditures will increase the accuracy of posting in the future.*

- e. *Changes that are addressed in item (a) will follow through to correct these problems as well.*

3. The City Should Improve Controls Over Cash Receipting

During our review of the city's cash receipting system, we noted significant control weaknesses. Specific problem areas are discussed below.

- a. **Treasurer's Receipts** ) City cashiers do not account for all voided receipts, nor do they include the mode of payment (cash or check) on all receipt forms, making it impossible to verify revenue collections to the composition of deposits. Several different cashiers use the same cash drawer as well as a variety of different manual cash receipt books. These practices make it possible for moneys to be received but not deposited and makes it difficult to fix responsibility for any potential losses or irregularities.
- b. **Utility Billing and Receipting System** ) The same individual performs a variety of incompatible duties, including determination of charges due, customer billing, cash receipting, and posting of transactions to accounting records. These functions are also performed without adequate review. Additionally, noncash credits are sometimes posted to individual utility accounts without sufficient documentation to disclose why the adjustments were made. No one reviews or reconciles the adjustment ledger to approved source documents to ensure that adjustments to accounts have been properly authorized by management.
- c. **Building Permits and Plan Check Fees** ) We were unable to verify whether all revenues were collected or reported from these sources because of internal control system weaknesses. Unused or voided building permits were discarded and prenumbered receipts were not used. Permits issued were never reconciled to revenues collected. These conditions make it possible for cash to be removed without being detected and also make it impossible to account for the completeness of the revenue reported.

Taken individually, these conditions are significant weaknesses. Collectively, they indicate pervasive internal control problems, which needlessly expose the city to the risk of fraud or abuse. These conditions occurred because the director of finance did not make sufficient effort to correct the control weaknesses identified in our 1992-93 audit report and permitted the internal controls to continue to deteriorate.

We recommend the city council ensure that the director of finance establish and implement internal controls over all cash receipting procedures, including instituting numeric receipting, proper segregation of employee duties, and management review of pertinent transactions.

Auditee's Response

Controls over Cash Receipting

*After the audit field work was completed, we have consolidated cash receipting as a "Cashier" function only. Independent cash drawers have been established. Written procedures have been implemented.*

*Utility billing procedures are included in the re-organization of the Finance Department. The Utility Billing Specialist does not receive customer payments at all. Customer payments are posted*

*by the City Accountant. The Utility billing process has been formalized. Processes include review and approval of adjustments by management prior to posting and review after posting.*

*Building permit and plan check changes have been implemented by the Planning Director as well. Numbered permits are used and voided permits are being maintained as part of the record.*

4. The City Should Strengthen Controls Over Payments For Goods And Services

During our review of the City of Washougal's system for payment of goods and services, we noted internal control weaknesses and noncompliance with state laws and regulations as follows:

- a. **Poor Disbursement Practices** ) The city issued checks out of a "Claims and Payroll" checking account. Employees did not account for the numerical integrity of the check stock, and did not present all checks to council for approval. City employees also improperly voided and reissued checks and did not record all checks in the check register.
- b. **Incompatible Duties** ) The assistant clerk/treasurer issued checks from both the Treasurer's Checking Account and the Warrant Disbursement Account, and also reconciled the Treasurer's Checking Account. The utility billing clerk prepared some vouchers for payment and was also an authorized signer on both the Treasurer's Checking Account, and the Warrant Disbursement Account. These practices violate the tenants of good basic internal control. No individual should have control over both cash and the accountability for cash. We did not find sufficient compensating controls to diminish the risk presented by these weaknesses.
- c. **Inadequate Supporting Documentation** ) A significant number of disbursements were made without adequate documentation to support their validity. During our review, we found instances of the following types of payments without adequate supporting documents:
  - Payments to police reservists for hours worked which had no supporting documents attached.
  - A payment to an employee for tuition reimbursement without a supporting invoice or copy of employee check as proof of payment.
  - Payments to employees for travel related reimbursements with inadequate or no invoices to support the expense and no proof of a business purpose for the trip. The persons who attended the meetings were sometimes not identified, nor was a travel expense claim form always used.
  - Payments to a vendor for an amount less than the invoice amount without any explanation.
- d. **Improper Payment Approval** ) The following payments were made without appropriate approvals:
  - Payment to an employee for tuition, without the mayor's approval as specified in the collective bargaining agreement.

- Payment to the finance director for travel reimbursement which was not properly approved.
- Payment to a vendor for solid waste collection without evidence that it had been reviewed by the utility billing clerk.
- None of the payments we reviewed contained the required auditing Officer's signature. Voucher forms contained the proper certification statement, but the Auditing Officer did not sign them. This practice violates RCW 42.24.080, which states in part:

All claims presented against any county, city . . . shall be audited, before payment, by an auditing officer elected or appointed . . . Such claims shall be prepared for audit and payment on a form and in the manner prescribed by the state auditor. The form shall provide for the authentication and certification by such auditing officer that the materials have been furnished . . . and no claim shall be paid without such authentication and certification

As a result of the violations and weaknesses cited, council has been denied the fundamental opportunity to disapprove those checks which are not presented to them for approval. Without proper documentation, officials do not have adequate information for determining the appropriateness of expenditures. In addition, the city is at risk of paying improper claims presented.

These violations and weaknesses exist primarily because city management has not put sufficient emphasis on instituting and maintaining effective internal control systems.

We recommend the city establish controls to ensure the following:

- All checks are accounted for in numerical sequence and provide for council review of all disbursements.
- Tasks are assigned to staff in a manner which avoids the performance of incompatible duties.
- All disbursements are supported by adequate documentation to allow staff to establish their validity and reasonableness.
- Travel policy be amended to include all employees, covering all forms of reimbursement, and containing language to ensure that all requests contain adequate support to establish the public purpose of the expenditure.
- All disbursements are adequately approved by the appropriate department head or other city official.
- All disbursements are approved by the auditing officer in the proper certification area of the voucher form prescribed by council.

## Auditee's Response

### Controls over Cash Disbursements

- a. Numerical integrity of the check stock is included as part of the Accounts payable process.
- b. Reconciliations are now being done by the Finance Director. Accounting Specialist - A/P has been removed from both bank accounts as an authorized signature. The Utility Billing Specialist no longer is involved in the Accounts payable function.
- c. & d. Payments are being reviewed on a much more comprehensive basis. Changes in process have been implemented by using a "Claim Voucher" form and having the Auditing Officer sign the document. Written procedures have been developed to insure that the proper documentation and approval takes place.

City Council finance Committee reviews all bills which are presented for payment. They only sign the Voucher Register form as a matter of convenience, but have access to all documentation that has been presented for payment.

### 5. The City Should Strengthen Controls Over Payroll Procedures

During our review of the City of Washougal's payroll system, we noted the following internal control weaknesses and violation of state law:

- a. **Inappropriate Pay Raise Authorizations** ) The mayor authorized pay raises for the public works director and finance director without approval of city council. The increases were not discussed in an open public meeting nor were they adopted by ordinance as required by RCW 35A.12.020, which states:

The authority, duties and qualifications of all appointive officers shall be prescribed by charter or ordinance, consistent with the provisions of this title, and any amendments thereto, **and the compensation of appointive officers shall be prescribed by ordinance** . . . . (Emphasis ours)

When management makes these types of payroll adjustments without proper approval of the city council, the governing body does not have the opportunity to determine whether pay increases are appropriate. This situation occurred because the mayor directed staff to make these payments to employees without obtaining prior approval of city council as required by law.

- b. **Time Sheet And Leave Approval** ) Time sheets were prepared by each department head but lacked final review and signature by a higher authority. The mayor approved their leave slips but he did not match the leave taken to the time sheets submitted for that period. The leave hours recorded on time sheets did not agree with the leave taken, according to leave slips, during the period July 26, 1995, to August 25, 1995, for both the public works director and the finance director. This discrepancy brings into question the accuracy of vacation time accrued for these managers, especially since the approved leave slips are not used as the source document for recording the leave taken.

Because of these weaknesses, leave balances and the city's liability could potentially be overstated. This could also allow employees to take more leave than they are entitled.

The weaknesses occurred because the payroll clerk was not required by management to reconcile the leave records to the time sheets.

We recommend city council set all salaries and wages for employees including appointed department heads. We further recommend the mayor sign all time sheets for appointed department heads before payroll is prepared and ensure approved leave slips agree with the leave hours recorded on the time sheet.

Auditee's Response

Controls over Payroll

- a. *An ordinance was presented at the February 3, 1997 council meeting to set the salaries of the Department Directors.*
- b. *Department managers are only submitting time exceptions to the mayor for review and approval.*

6. The City Should Strengthen Controls Over Cellular Phone Usage

**Personal Cellular Telephones** ) During our review of the City of Washougal's cellular phone charges, we noted the city allows all of its employees to purchase cellular phones with their personal phone usage billed on the city contract with AT&T Wireless. The voucher clerk identifies personal phone charges, tracks payment collection from employees, and remits them to the vendor. The city has a written agreement with individual employees specifying how unpaid charges would be resolved. However, the use of staff time to identify amounts owed and collect payments for personal phone bills is an inappropriate use of city employee time.

**City Owned Cellular Telephones** ) In addition, the Mayor, all department heads, and certain other employees have cellular phones purchased by the city, which ostensibly may be used for both business and personal purposes. The city attorney, who is in private practice, also has a cell phone provided by the city. For any personal calls made on these phones, the voucher clerk may, or may not, collect from the individuals involved and remit the employee's personal payment to the vendor in the following month's billing cycle. The clerk does not keep a record of these payments and, for the charges we reviewed, was unable to determine whether the personal charges had been reimbursed to the city. The failure to adequately track reimbursements for personal calls made on city phones is a weakness in the city's voucher system.

We recommend city officials develop and implement policies and procedures that would strengthen the controls over cellular phone use. City officials should consider the following when developing the policies and procedures:

Personal Cellular Telephones:

Ensure staff are not spending city time to identify, track, collect, and make payments for personal phone charges.

- Ensure the employees are responsible for paying the entire amount of their personal phone bill. Reimbursement for any business calls made on these personal phones should be requested through the employee expense claim process.



City Owned Cellular Telephones:

- Officials should determine who is eligible for a cellular phone and for what purposes a cellular phone is authorized. Eligibility should be based on whether the city benefits substantially from the individual having cellular phone access.
- The city should develop a system for identifying any personal use of city owned cellular phones and ensure that all personal use is reimbursed by employees in a timely manner.

Auditee's Response

Controls over Cell Phones

*The cell phone policy has been reviewed. The City as requested that AT&T remove employee owned cell phones from the City's account no later than February 28, 1997. City owned cell phones are to be the only listed phones on the account.*

*The personnel policies which were adopted by council in July 1996 allow use of city owned cell phones for personal calls but require reimbursement of personal calls to the city. Agreements with employees who are in custody of city owned cell phones will be included in their files in order to collect for personal calls in the event that an employee doesn't follow the reimbursement procedure. The reimbursement procedure will allow for an audit trail of reimbursement to the City of personal calls.*

7. The City Should Improve Accounting Controls Over Its Combined Utility Operations  
During our review of the city's accounting systems, including capital assets, utility billing, and accounts receivable, we noted significant internal control weaknesses, as follows:

- a. **Water-Sewer Fixed Asset System** ) We have issued adverse opinions on the city's financial statements every year since 1990, primarily due to material and pervasive misstatements in the city's water sewer utility asset balances. During the current audit, we were unable to verify the accuracy of the Property, Plant and Equipment Asset balances recorded at December 31, 1994, and 1995, on the city's utility balance sheet. For both years, we found the total amounts recorded on the balance sheet did not match the amounts recorded in the general ledger. Additionally, the general ledger did not agree with the subsidiary ledgers where the individual asset costs are recorded. Beyond this, we were unable to verify the accuracy of asset costs recorded in the subsidiary ledgers. In 1994, the city set up new subsidiary ledgers to improve their asset accounting. However, they remain unable to produce verifiable information in support of figures shown as asset costs on the new subsidiary ledgers and the asset accounting system continues to be faulty and unreliable. These discrepancies violate the basic tenants of asset accounting, including the requirement for documentation to support subsidiary asset ledgers, which accurately reflect the city's asset costs. These figures must also be traceable through the general ledger and finally be accurately recorded on the city's utility balance sheet.
- b. **Accounts Receivable System** ) At December 31, 1995, accounts receivable subsidiary balances, where individual customers balances are recorded, were significantly less than the total accounts receivable shown on the balance sheet. Management was not aware of the difference and could not account for it. This is a serious breakdown of fundamental business accounting convention. Total

customer accounts receivable listings must equal the total accounts receivable control.

c. **Inappropriate Accounting Entries** ) For both years audited, we noted several instances where accounting entries had been made inappropriately. All of the items listed below affected the combined utility financial statements and should have been properly recorded. These are examples of some of the erroneous entries and do not constitute an exhaustive listing of all the erroneous accounting entries discovered during the audit.

(1) Water-Sewer 1994 net income was overstated by an inappropriate prior period adjustment of \$392,809. Prior period adjustments should be recorded to the Retained Earnings account, and not have an effect upon net income in the current period. In this case, if this entry had been properly entered, the utility would have shown a net loss instead of net income for 1994.

(2) In 1995, they inappropriately recorded a liability of \$103,302 to offset a capital lease receivable of the same amount.

(3) Construction Work in Process was not recorded for either 1994 or 1995. The utility had construction projects in both years and should have recorded costs related to these projects.

(4) Revenues for charges for services were overstated for both years because the amounts recorded did not agree with supporting subsidiaries.

(5) Sewer lines installed prior to 1994 were recorded once as \$807,422, and once as \$1,496,080. This is an apparent duplicate entry.

(6) Depreciation Expense recorded for 1994 at \$174,848 did not agree with depreciation expense recorded in the subsidiary ledger at \$209,781.

Because of the accounting system weaknesses discussed above, resulting in the uncertainty of material fixed asset balances (a), accounts receivable balances (b), and the other identified misstatements (c), which materially affect the city's utility financial statements, we are unable to express an opinion on the city's financial statements for either 1994 or 1995.

These weaknesses occurred because the city's clerk/treasurer was, in some cases, not aware of the problems present in the accounting system and, in other cases, was apparently unaware of proper accounting treatments.

We recommend the city establish controls to ensure the accounting systems are corrected and to ensure financial statements reflect information contained in the related accounting records, from which financial statements are prepared. We further recommend the city council ensure the inappropriate accounting practices that have continued to occur over the past six years are corrected and that financial statements are properly prepared in the future.

#### Auditee's Response

#### Combined Utility Operations

*The issues on this were discussed with the Regional Audit Manager. To address the issues for the*

*Fixed Asset System, the documentation for prior period adjustments and changes back to the 1989 financial reports will be included and provided within the 1996 Financial report and addressed by the auditors at the next audit. Support of asset values will be provided either through purchase documents or through documentation of current value estimates.*

*Reconciliation of the accounts receivable subsidiary ledgers to the General Ledger control account is part of the month end processing that is done by the Utility Billing Clerk. As part of the changes to a Category I reporting entity, we are treating utility billing as a true account receivable.*

*The Finance Director will be more involved in the preparation and the review process for preparing accounting entries and the statements for the utilities operations. Corrections will be made in the 1996 financial statements and the statements will be prepared properly.*

8. The City Should Prepare And Submit Accurate Annual Financial Reports

The city is required to annually submit a variety of reports and supplemental schedules to the State Auditor's Office. We found significant errors in the documents listed below, during our audit:

Fund Resources and Uses Arising From Cash Transactions (C-4) 1994 and 1995  
Fund Resources and Uses Arising From Cash Transactions (C-5) 1994 and 1995  
Long Term Debt (Schedule 09) 1994 and 1995  
Cash Activity (Schedule 11) 1994 and 1995  
Financial Assistance (Schedule 16) 1994 and 1995

Additionally, the city prepared a Schedule of Warrant Activity for both years. Since the city does not issue warrants, but instead uses commercial bank checks, this activity should be reflected on the Schedule of Cash Activity. The figures on the warrants schedule appear to be the activity of their payroll and claims clearing checking account in a commercial bank. Consequently, the Schedule of Warrant Activity is not necessary and its use could cause readers to be misled. RCW 43.09.230 states in part:

The state auditor shall require from every taxing district and other political subdivisions financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor, which shall be uniform for all entities of the same class . . . **The reports shall contain accurate statements**, in summarized form, of all collections made, or receipts received, by the officers from all sources; all accounts due the public treasury, but not collected; and all expenditures for every purpose, and by what authority authorized . . . . (Emphasis ours)

We also published a similar finding in our 1992-93 audit report concerning inaccuracies in some of these same reports. When the city does not prepare and file accurate financial reports, users of the reports are denied access to reliable financial information. Users and their concerns include:

- a. The city council which may use these reports as a management tool.
- b. The general public interested in reports on the cost of public services.
- c. The Washington State Legislature which receives the annual volume of comparative statistics for municipalities published pursuant to RCW 43.09.230.

- d. The Office of State Auditor's staff who note that inaccurate financial reports prolong audit work and, correspondingly, increase audit costs.

The reason the reports and schedules contain repeated, pervasive errors is that the clerk/treasurer did not accept responsibility for ensuring accuracy in the finished product.

We recommend the city council take action necessary to ensure the accurate preparation of annual reports in accordance with statutory requirements.

Auditee's Response

Accurate Financial Reports

*The city is changing the method of reporting from Category II (cash basis) to Category I (full or modified accrual basis). This is a big undertaking, but it will create a consistency in reporting. The City will continue making improvements in this area. The Finance Director will insure that the financial statements are prepared accurately.*

9. The City Should Strengthen Controls Over Contracts And Payments For Services

During our review of the City of Washougal's contracts and related payments for services, we noted internal control weaknesses and noncompliance with state laws and regulations as follows:

- a. **Contract Approval** ) We found no evidence of approved written agreements for the following services:
- District Court services provided by Clark County. The Clark County District Court Administrator indicated that the court has been unsuccessful in its attempts to get a signed contract with the City of Washougal.
  - Legal services provided by the city attorney. Payments have been made for these services without a written, approved contract.

With regard to contracts requiring writings, Chapter 19.36 RCW states:

In the following cases, specified in this section, any agreement, contract and promise shall be void, unless such agreement, contract or promise . . . be in writing, and signed by the party to be charged therewith, or by some person thereunto by him lawfully authorized, that is to say: (1) Every agreement that by its terms is not to be performed in one year from the making thereof . . . .

- b. **Payment Approval** ) The following payments were made without adequate internal controls:
- Payments to Evergreen Waste Systems totaling \$310,569 in 1995 for solid waste collection and disposal were approved by the clerk/treasurer without evidence that they had been reviewed for accuracy by comparing them to the city utility accountant's independent calculations.

- Payments to a local firm for attorney services totaling \$41,383 were made in 1995 without a contract. In addition to specifically identified charges, the payments included \$2,000 per month in unsupported charges. The payments were apparently a monthly retainer. However, we found no contract authorizing such payments or detailing services included in the retainer.
- Payments to the City of Camas for equipment rental totaling \$9,718 during 1995 were made at varying rates without documentation to support that the rates charged were correct and properly chargeable to the City of Washougal.
- Payments to Clark County for District Court services were made without adequate documentation to support validity of amounts paid.

As a result of the weaknesses cited, staff does not have adequate information for gauging the reasonableness of expenditures and the city is at risk of potential claims.

These weaknesses exist primarily because city management has not put sufficient emphasis on instituting and maintaining effective internal control systems.

We recommend the city establish controls to ensure payments to vendors are made in accordance with written agreements and are adequately documented to ensure their accuracy and propriety.

#### Auditee's Response

##### Controls over Contracts and Payments for services

*Contracts have been approved in January for District Court and Attorney was approved in February.*

*Procedures for approval of garbage charges are formalized. This will include marking on the bill in order to show review by the appropriate person.*

*Equipment that is "rented" from City of Camas is under joint ownership. The approval of the billings by the PW Superintendent will reference the current rate resolution in force.*

#### Auditor's Concluding Remarks

We appreciate the city's responsiveness to our audit report findings by both correcting and proposing to make the changes necessary to strengthen the accounting and internal control systems. We will review the city's progress during our next audit.